

New Jersey Environmental Infrastructure Financing Program (EIFP) **Drinking Water Projects**

The New Jersey Environmental Infrastructure Financing Program (**EIFP**) is a partnership between the NJ Department of Environmental Protection and the NJ Environmental Infrastructure Trust. It was created by the legislature to provide low-cost financing to local governments and private water purveyors for the construction of various drinking water infrastructure projects.

Financing Through the EIFP

EIFP borrowers receive two loans, a **0% interest loan from the DEP** and a market rate loan from the sale of the Trust's AAA rated tax-exempt bonds. Some projects will receive 75% of the total loan from the DEP and 25% from the Trust, making their loan **¼ of the market rate**. Projects that will qualify for the 75/25 financing are limited to those projects serving a designated Urban Center or Urban Complex.

All other projects will receive 50% of the total loan from DEP and 50% from the Trust, making their loan **½ of the market rate**.

Advantages of Borrowing Through the EIFP

- ◆ **Lowest Interest**-Loans at ¼ or ½ of the market rate
- ◆ **Reduced financing costs**- Borrowers benefit from reduced costs due to the economies of scale of a pooled bond issue, bond insurance is rarely needed, interest may be capitalized and principal payments deferred during construction, and the debt service reserve fund is capitalized by the state.
- ◆ **Match to other funding programs**—EIFP loans are not limited and can be used to supplement grants and other loan programs.

How to Qualify

October 1 of each year is the deadline for submitting a commitment letter and planning documents to qualify for a loan award in **November** of the following year.

Pre-Award: Applicants may receive authorization to proceed with a project prior to the loan award.

Short-term Financing for work prior to loan award is also available through the EIFP.

What Can Be Funded

Eligible water projects include those that ensure compliance with the Safe Drinking Water Act (SDWA) and protect public health. Some examples are:

- ❖ Treatment facilities that need to be upgraded or installed to ensure compliance with the SDWA primary or secondary drinking water standards.
- ❖ Finished water storage facilities or pumping stations that need to be upgraded or installed to maintain compliance with the SDWA.

- ❖ Transmission/distribution mains that need to be replaced, repaired or installed to prevent contamination caused by leaks in the pipe or to improve water pressure.
- ❖ Water meters that need to be installed or replaced.
- ❖ Redevelop wells or construct new wells to meet the rules for required pumping capacity.
- ❖ Security such as fencing, lighting, motion detectors, and cameras.

How Projects Are Prioritized For Funding

The drinking water priority system reflects Congress's intent that States must give maximum priority to:

- 1) projects needed for Safe Drinking Water Act compliance,
- 2) projects that provide the greatest protection to public health, and
- 3) projects which assist systems most in need on a per household basis. States must develop a priority list that reflects this intent and to fund projects in this order, to the maximum extent practicable.

The principal elements of the Priority System are: compliance and public health criteria, approved drinking water infrastructure plan, conformance with the New Jersey State Development and Redevelopment Plan, and affordability. In the case of a tie, projects are assigned points based on the permanent population of the water system area.

Priority points are based upon several different subject categories. However, to be eligible for ranking, a project scope must include the actual repair, rehabilitation, correction of a problem, or an improvement clearly related to compliance and public health criteria. Any points assigned from the remaining categories are added to the points received in this category.

Due to the annual addition of new projects to the Project Priority List, or to periodic revisions to the Priority System, individual project rankings may change annually. Projects including multiple elements, are listed separately by the elements involved, with priority points being assigned for each element.

A prospective applicant must notify the Department of any changes to project scope or any other circumstance that may affect the calculation of priority points. The Department would then recalculate, if appropriate, the prospective applicant's ranking utilizing the new information submitted and revise the priority ranking accordingly.

Funding from the Environmental Infrastructure Financing Program is made available to projects in the order they appear on the priority list. While a project's rank is important, a lower ranked project may still be able to secure financing if it meets planning, design, and loan application dates. If sufficient monies are not available, it may be able to receive 'pre-award' approval to start construction and receive loans for reimbursement of costs in a future year.

